

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/ 2023 (TERM ID 2210)

BFN2054 – PORTFOLIO MANAGEMENT
(All Sections / Groups)

8 February 2023
9.00 am – 11.00 am
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 3 pages (including the cover page) with 4 QUESTIONS only.
2. Answer ALL questions and the distribution of the marks for each question is given.
3. Write you answers in the answer booklet proved.

QUESTION 1 (25 MARKS)

- a) What are the major categories of constraints in the investment policy statement?
(10 marks)
- b) Explain the strategies active manager can use to add value to his portfolios?
(10 marks)
- c) Why setting portfolio objective can be so difficult?
(5 marks)

QUESTION 2 (25 MARKS)

- a) Sally's broker told her that the expected return from her portfolio was 14.2%. If 40% of her securities have an expected return of 10.3 percent and 20% have an expected return of 12.8 percent, what is the expected return of the remaining portion of her portfolio?
(10 marks)
- b) A college student owns two securities: Appa and Coco. Appa has an expected return of 15 percent with a standard deviation of those returns being 11 percent. Coco has an expected return of 12 percent, and a standard deviation of 7 percent. The correlation of returns between Appa and Coco is 0.81. If the portfolio consists of RM6,000 in Coco and RM4,000 in Appa, what is the expected standard deviation of portfolio returns?
(10 marks)
- c) Suppose Stock Ali has an expected return of 15%, a standard deviation of 20%, and a Beta of 0.4 while Stock Alizaz has an expected return of 25%, a standard deviation of 30% and a beta of 1.25, and the correlation between the two stocks is 0.25. What is the expected return for a portfolio with 80% invested in Stock Ali and 20% invested in Stock Alizaz?
(5 marks)

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QUESTION 3 (25 MARKS)

- a) Explain in detail how diversification can reduce the risk of a portfolio of assets to below the weighted average of the risk of the individual assets. (5 marks)
- b) Explain in detail what are the primary variables that influence the risk of a portfolio of assets? (5 marks)
- c) Twi Ci Kig (TCK) pays a current dividend of RM2.20 and dividends are expected to grow at a rate of 7 percent annually in the foreseeable future. The beta of TCK is 1.2. If the risk-free rate is 9.2 percent and the market risk premium is 6 percent, at what price would you expect TCK's common stock to sell? (10 marks)
- d) Explain what is a constant mix strategy for portfolio rebalancing. (5 marks)

QUESTION 4 (25 MARKS)

- a) Illustrate what does the term "exit strategy" mean in the context of private equity investing? (5 marks)
- b) Comment on the following statement: Gold is a dangerous investment because its pricing is controlled by a European cartel of banks. (5 marks)
- c) What is the difference between a brownfield and greenfield project? (15 marks)

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